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Inter-Office Memo

DATE: June 6, 2011

TO: Lee Holloway, Chairman
Milwaukee County Board of Supervisors

FROM: Daniel J. Diliberti, Milwaukee County Treasurer

SUBJECT: Intergovernmental Relations resolution in opposition to AB135

The attached resolution regarding AB 135 is being sent for consideration by the Board of supervisors.

AB135 will have a costly impact on county governments. Specifically, AB135 would: (A) give costly tax breaks to banks, mortgage companies and landlords that do not pay their property taxes; (B) send the wrong message to taxpayers who pay their taxes on time by increasing their taxes to pay for costly tax breaks for delinquent taxpayers; (C) have a consequential impact of causing an increase in the number and amount of delinquent property taxes; (D) impose unreasonable financial losses on county governmental budgets; (E) require costly administrative and computer programming changes; (F) impose another costly state-mandated accommodation for the non-payment of property taxes, on top of a myriad of state-imposed grace periods already in place for delinquent tax payers; (G) single out counties for reducing penalties for non-payment of county taxes while leaving similar penalties for nonpayment of state income taxes intact.

A copy of AB 135 is attached.



2011 ASSEMBLY BILL 135

May 17, 2011 – Introduced by Representatives WYNN, ZIEGELBAUER, BIES, BERNIER, THIESFELDT, NASS and KNILANS. Referred to Committee on Ways and Means.

1 **AN ACT** *to amend* 74.47 (1) of the statutes; **relating to:** the interest rate on
2 delinquent property taxes.

Analysis by the Legislative Reference Bureau

Under current law, the interest rate on delinquent property taxes is 1 percent per month for each month that the taxes remain unpaid. Under this bill, beginning on the bill's effective date and ending on December 31, 2014, the interest rate on delinquent property taxes is 0.5 percent per month for each month that the taxes remain unpaid.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

3 **SECTION 1.** 74.47 (1) of the statutes is amended to read:
4 **74.47 (1) INTEREST.** The interest rate on delinquent general property taxes,
5 special charges, special assessments, and special taxes included in the tax roll for
6 collection is one percent per month or fraction of a month, except that the interest
7 rate under this subsection beginning on the effective date of this subsection [LRB

ASSEMBLY BILL 135

SECTION 1

1 inserts date], and ending on December 31, 2014, is 0.5 percent per month or fraction
2 of a month.

3 (END)

(ITEM) From the County Treasurer, a report requesting County Board support in opposing AB135 that would have a highly detrimental impact on county governments

A RESOLUTION

WHEREAS, AB135 would finance costly tax breaks for non-payment of taxes by increasing taxes on people who pay their taxes on time; escalate in the number and amount of delinquent property taxes; require costly computer program changes; and reduce county delinquent tax penalties while leaving similar state delinquent tax penalties intact; and

WHEREAS, existing deadlines and penalties for nonpayment of property taxes are only put in place to enforce the timely payment of property taxes as required by law to ensure funding is available to provide police and fire protection, paramedics, jails, courts, and other services that are vital to the daily lives of all local residents; and

WHEREAS, the reduction in the deterrent for non-payment will result in an increase in the amount of property tax delinquencies in future years and AB135 will have a detrimental impact on local governments - which depend the prompt payment of property taxes; and;

WHEREAS, AB135 uses the term "interest rate reduction," which is a misnomer, AB135 is really a reduction in the penalty for the non-payment of property taxes - resulting in multi-million dollar tax breaks for banks, mortgage companies, and absentee landlords; and

WHEREAS, AB135 would impose unreasonable financial losses on counties, which act as the delinquent property tax collection agent for local municipalities; and

WHEREAS, in Milwaukee County alone, last year the amount of delinquent property taxes, including those of the City of Milwaukee, amounted to \$61.9 million; and

WHEREAS, in the State of Wisconsin, delinquent taxes already amount to a total of approximately \$300 million; and

WHEREAS, lessening the consequences for non-payment of property taxes, as proposed in AB135, will result in actual and immediate revenue losses of millions of dollars to Wisconsin counties; and

41 WHEREAS, AB135 will incur costly changes for counties and municipalities,
42 including the necessity of administrative rule changes, redesign of delinquent tax notices,
43 confusing legal problems regarding past-due delinquencies, and expensive computer
44 program modifications to recalibrate all property tax billing operations; and
45

46 WHEREAS, AB135 calls for accommodations for non-payment of taxes on top of a
47 myriad of already existing grace periods for delayed payment of taxes and the county
48 municipal and county budget year begins on January 1st, and the legislature allows a grace
49 period of 30 days - until January 31st - for the delayed payment of taxes; and
50

51 WHEREAS, the legislature also has established a late payment plan that delays full
52 payment for five additional months - with no interest or penalty charges. In addition, the
53 legislature also established a 33 month delaying process which postpones foreclosure on
54 delinquent properties; and
55

56 WHEREAS, two years ago, the state legislature added a 5-day grace period for late-
57 payment of taxes after the due date, with AB135, the legislature now proposes a reduction
58 in the penalty for non-payment of taxes for property owners that have ignored all the
59 established grace periods and remain delinquent; and
60

61 WHEREAS, AB135 creates an unfunded mandate by creating revenue reductions
62 and cost increases that are not compensated by any provisions in this bill; and
63

64 WHEREAS, the increased costs and decreased revenues contained in AB135 will
65 create county budget deficits, and force the counties to raise taxes on the 90% of property
66 owners who pay their property taxes on time; and
67

68 WHEREAS, AB135 does not propose reducing penalties for non-payment of state
69 income taxes - but only for non-payment of local governments' property taxes.
70

71 WHEREAS, AB135 exempts the higher penalties charged for income tax
72 delinquencies owed to the state of Wisconsin and the State Department of Revenue would
73 probably have the same objections as counties to such a proposal - that it would result in
74 huge increases in unpaid state income and sales taxes and large increases in state budget
75 deficits; and
76

77 WHEREAS, for the same reasons, the legislature should reject AB135 with its
78 detrimental effects on Wisconsin counties and municipalities; now, therefore
79

80 BE IT RESOLVED, that the Milwaukee County Board of Supervisors does hereby go
81 on record in opposition to AB135 and directs Milwaukee County's Intergovernmental
82 Relations staff to articulate the good policy reasons and to oppose such legislation.

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 06-06-11

Original Fiscal Note ☒

Substitute Fiscal Note ☐

SUBJECT: Opposition to AB135

FISCAL EFFECT:

- ☒ No Direct County Fiscal Impact
- ☐ Existing Staff Time Required
- ☐ Increase Operating Expenditures
(If checked, check one of two boxes below)
- ☐ Absorbed Within Agency's Budget
- ☐ Not Absorbed Within Agency's Budget
- ☐ Decrease Operating Expenditures
- ☐ Increase Operating Revenues
- ☐ Decrease Operating Revenues
- ☐ Increase Capital Expenditures
- ☐ Decrease Capital Expenditures
- ☐ Increase Capital Revenues
- ☐ Decrease Capital Revenues
- ☐ Use of contingent funds

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0
Capital Improvement Budget	Expenditure	0	0
	Revenue	0	0
	Net Cost	0	0

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

If oppositon to AB135 is successful and it is not passed by the State Legislature, as this resolution proposes, then this proposed action will have no fiscal affect.

If AB135 is passed in spite of the opposition called for in this resolution, revenues for Milwaukee County could be reduced by a minimum of one-half million million dollars in 2011 and one million dollars per year in subsequent years.

This fiscal note was prepared by the Milwaukee County Treasurer.

DJD FISCAL NOTE for oppositon to 2011 AB135

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

Department/Prepared By Milwaukee County Treasurer

Authorized Signature

Donald J. Libert

Did DAS-Fiscal Staff Review? ☐ Yes ☒ No